

# WebMemo



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## Expanding the Failed War on Poverty: Obama's 2011 Budget Increases Welfare Spending to Historic Levels

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On March 16, 1964, President Lyndon Johnson declared war on poverty in the United States. He created large-scale national programs aimed at helping the poor and needy that consumed nearly 1.2 percent of the nation's gross domestic product (GDP). The programs were meant to be temporary, short-term investments. Instead they have become permanent fixtures in government programming and spawned the creation of dozens more programs over the years. Today, spending on welfare programs (adjusted for inflation) is 13 times greater than it was in 1964.

It is clear that President Obama is intent on not only continuing the failed war on poverty but expanding and growing the size of the welfare state. President Obama's 2011 budget will increase spending on welfare programs by 42 percent over President Bush's last year in office. Total spending on the welfare state (including state spending) will rise to \$953 billion in 2011.

Further, the Obama Administration is pursuing a change in the official "poverty measure" that will increase the number of people considered poor in America. If future program eligibility is tied to this measure, the amount of federal tax dollars flowing to programs aimed at helping the poor would dramatically increase.

**What Is Means-Tested Spending?** Means-tested welfare spending or aid to the poor consists of government programs that provide assistance deliberately and exclusively to poor and lower-income people—for example, food stamps, public housing,

Medicaid, and Temporary Assistance for Needy Families. There are currently over 70 different federal means-tested programs on the books.

In fiscal year (FY) 2008, total government spending on means-tested welfare or aid to the poor amounted to \$714 billion. Of that, \$522 billion (73 percent) was federal expenditures and \$192 billion (27 percent) was state government funds.<sup>1</sup> Nearly all state welfare expenditures are matching contributions that the federal government requires of its welfare programs, a "welfare tax" that the federal government imposes on the states. Total means-tested welfare spending in FY 2008 amounted to around \$16,800 for each poor person in the U.S.

**What Is the Poverty Rate?** Each year, the U.S. Census Bureau calculates what the national poverty rate is and how many people are living in poverty. For 2008, the poverty rate was about \$22,000 for a family of four. There were approximately 39 million people considered living at or below the poverty rate.<sup>2</sup>

Means-tested programs are limited to those at or below the poverty line. However, many welfare benefits go beyond this threshold to include persons who have incomes below 200 percent the poverty

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level, or about \$44,000 per year for a family of four. Close to one-third of the U.S. population falls within this income range. A family of four at this income level would be eligible for approximately \$28,000 worth of federal and state welfare benefits per year.

**The Obama Blueprint to Spend More and Expand the Welfare State.** Of the 70 different means-tested programs run by the federal government, almost all of them have received generous increases in their funding since President Obama took office. Some have also been expanded to include more people who would be eligible for the benefits. A good example of this is food stamps, officially known as Supplemental Nutrition Assistance.

The President's 2011 budget requests that food stamps spending rise from \$39 billion (already a record level) to \$75 billion.<sup>3</sup> Obama's 2011 budget also requests these expansions be made permanent. In addition, eligibility for this program was expanded in the infamous "stimulus" package. Within President Obama's first year in office, food stamp rolls grew by over 5 million people—the single largest increase in a one-year period in over three decades.

**Obama's New and Expansive Poverty Measure.** The Obama Administration announced that it is creating a new poverty measure to be unveiled in the fall of 2011 that would redefine who is considered "poor" in America. This new measure will dra-

matically increase the number of people considered to be living in poverty in the U.S.<sup>4</sup>

New York City recently adopted a similar poverty measure to the one being developed by the Obama Administration. Under the current federal measure of poverty, the city's poverty rate fell from 19.1 percent in 2005 to 17.76 percent in 2008. However, under the new poverty measure the 2008 rate rose to 22 percent.<sup>5</sup> The translation of these numbers into federal dollars for benefits would be significant and very costly.

**Continuing the Failed War on Poverty.** Unfortunately, only one of the 70 federal welfare programs, the Temporary Assistance to Needy Families program, has work requirements for its recipients. The 69 others merely provide a basic need and allow families to stay on the welfare rolls indefinitely.

Congress should ask pointed questions about why the war on poverty continues to escalate more than four decades after it began. The Obama Administration's expansion of the welfare state, in combination with its effort to define poverty up, does not bode well for economic freedom in the United States.

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2. U.S. Department of Commerce, Census Bureau, "Current Population Survey 2009," at <http://www.census.gov/hhes/www/cpstables/032009/pov/toc.htm> (March 20, 2010).
3. U.S. Office of Management and Budget, Budget of the United States Government, Fiscal Year 2011 (Washington, D.C.: U.S. Government Printing Office, 2010), Appendix, pp. 174–176, at <http://www.whitehouse.gov/omb/budget/fy2011/assets/agr.pdf> (March 20, 2010).
4. Press release, "Census Bureau to Develop Supplemental Poverty Measure," U.S. Department of Commerce, Census Bureau, March 2, 2010, at [http://www.commerce.gov/NewRoom/PressReleases\\_FactSheets/PROD01\\_008963](http://www.commerce.gov/NewRoom/PressReleases_FactSheets/PROD01_008963) (March 20, 2010).
5. Sam Roberts, "Calculating Poverty in New York: More by City Standard, and Less by Federal One," *The New York Times*, March 3, 2010.